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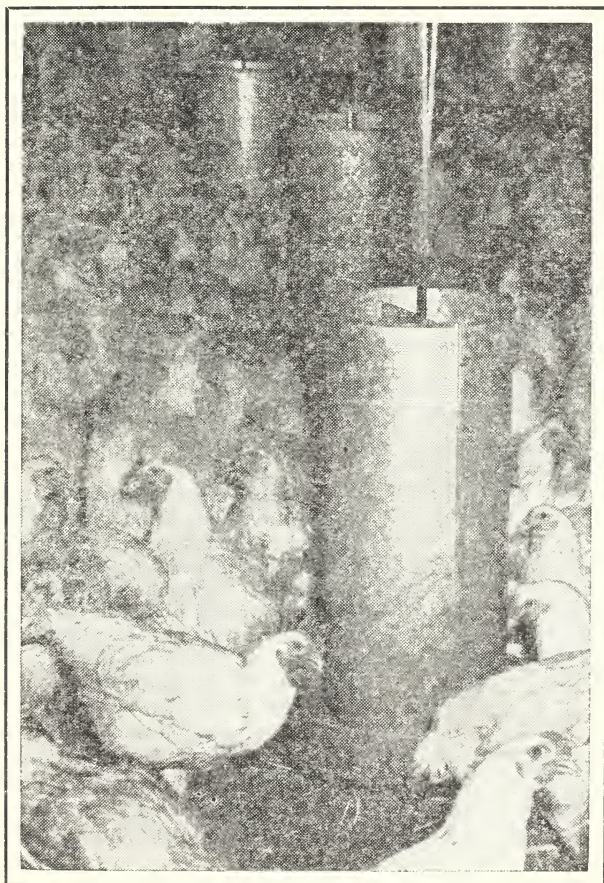
Statistical Reporting Service
U.S. Department of Agriculture

THE POULTRY PICTURE

CLOUDY

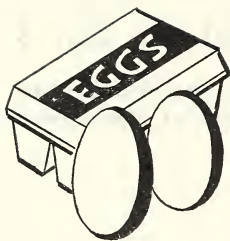
OR

CLEAR?



EGG PRODUCTION TRENDS UPWARD

Egg output in early 1967 continued to rise further above year-earlier levels. The gain over 1966 reflects the large buildup in laying flocks and sharp improvements in the rate of lay. February output was 8 percent above a year earlier, and 11 percent above the seasonal low last August. On March 1, there were 317 million layers on farms, 4 percent above the year before, and the rate of lay was up 2 percent.



Production in early April was close to the seasonal peak, and will likely remain near this high level through the second quarter, totaling perhaps 5 to 7 percent above the previous year. Both layer numbers and the rate of lay are expected to continue higher. But egg-feed price relationships since November have not been so favorable to producers, and will likely continue less favorable for the next few months. Thus, the uptrend in egg output could be halted by late fall or early winter. Some caution is already evident in the heavier culling of laying flocks in recent months and a leveling of the uptrend in replacement chick hatchings.

BROILERS: MORE OUTPUT, LOWER PRICES

Broiler slaughter continued to expand during the first quarter of 1967, despite lower prices and higher feed costs. The number of broilers killed in federally inspected plants in the first 11 weeks of the year was 10 percent above a year earlier. And chick placements and egg settings for 22 States through 12 weeks were up 4 percent, indicating that second quarter broiler production will still be moderately higher. The production outlook after midyear is less well defined. However, it's significant that producers have been cutting back pullet chick placements for hatchery supply flocks to around year-earlier levels in recent months.



Monthly broiler prices have averaged below year-earlier quotes since last September. There has been increased output, greater competition from red meat and turkey, and reduced poultry exports. The live price in March averaged 14.3 cents a pound, down 1.1 cents from February and 3.1 cents below a year earlier. Prices may stay below year-earlier levels at least until summer.

MORE TURKEYS, TOO

Turkey output this year will likely rise 8 to 10 percent above the 116 million birds produced in 1966. Large increases in the early-season hatches indicate that much of the gain in turkey slaughter will come before the main marketing months of September-December. Turkeys killed in federally inspected plants in the first 11 weeks of 1967 totaled 7.2 million versus 5.1 million a year earlier. Cold storage holdings of turkey on March 1 totaled 246 million pounds. This was 90 million above the previous year and 65 million above the 1961-65 average for the date.



Turkey prices broke sharply after Christmas under the impact of the large early-season supplies and stiffer competition from other meats. Prices received by farmers in mid-March averaged 20.5 cents a pound. This was 4.5 cents below mid-December and 4.2 cents under the year-earlier level.

EEC's Broiler Crisis Growing

Since 1962, broiler production has been mushrooming in the European Economic Community. Output has risen nearly fourfold in West Germany and nearly threefold in the Netherlands. This is due largely to the EEC's overly protective trade policy.

The phenomenal production gain has driven prices in the EEC countries to extremely low levels and encouraged most of them to subsidize exports. Prices have fallen so low in West Germany and the Netherlands that French and Belgium producers currently are unable to compete in the West German market.

In December 1966, the EEC Council of Ministers, after an appeal from the German Government, granted a temporary 4½-cent increase in the maximum export subsidy that members can pay on exports to third countries. As a result, exporters in West Germany are now permitted to pay a total of 13.6 cents per pound on shipments outside the EEC. Exporters in France can pay 13.3 cents; the Netherlands, 11.3 cents; and Belgium, 10.7 cents.

Production is expected to continue heavy in the EEC in coming months. Prices probably will continue low, subsidies high.

MIDWEST HAVING TO SCRAMBLE TO KEEP OLD TITLE AS NATION'S EGG BASKET

It isn't just an accident that the Midwest is having trouble keeping the No. 1 spot in egg production. There are at least two very good reasons.

Competition from other areas is getting rougher as per capita egg consumption slips, and many producers in the Midwest don't produce and market eggs as efficiently as they could.

The greatest difficulty faced by the Midwestern industry is increased competition from the South and West and from intensified commercial production in some of the older egg-producing regions.

The Midwest has always been important in eggs, but in recent years its position has been slipping. In 1960, 92 out of the 105 U.S. plants producing frozen eggs under Federal inspection were in the Midwest. But by 1965, the number dropped to 63 out of 96 plants. And during the same period, the number of frozen egg plants in the South rose from 7 to 23.

During the late 1950's and early 1960's California moved from an egg-deficit State to a substantial surplus position. Nowadays, it leads all other States in egg production, and is second in surplus.

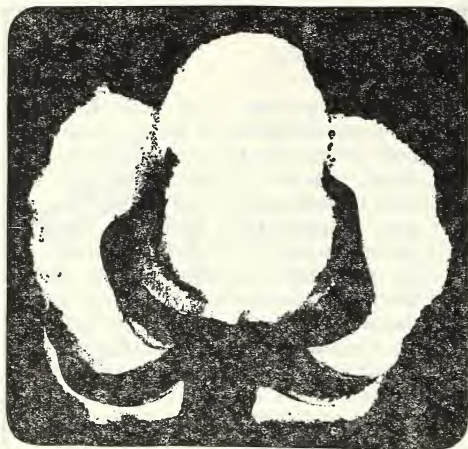
Another big problem for the Midwest is production and marketing efficiency. Flocks are smaller and more scattered than in other areas, meaning higher costs for delivering chicks and feed, and for assembling eggs for packing plants. Small lots are also more costly to handle at processing plants and hatcheries. Then, too, it's difficult to maintain uniform egg quality in small flocks.

The South and West, with their larger average flock size, have achieved a high degree of coordination between production, input-supplying, and marketing. In the Midwest, these functions are still largely independent.

Coordination has helped the South to lower costs and improve quality, permitting it to capture many Southern outlets that formerly relied on Midwestern eggs. It also has helped the South to become a competing supplier in the egg-deficit Northeast.

Meanwhile, the Midwest has lost a share of its markets.

Whether it will lose more depends on willingness to invest in new production and marketing systems, availability of investment funds, and evaluation of profit opportunities in egg production versus other alternatives.



COTTON PICKIN' CHOICES

Farm economic studies can help you make tough decisions in the business of farming. They can help you map out your alternatives and pick the most profitable.

One such study about cotton program choices was recently completed by the Louisiana Cooperative Extension Service, Agricultural Experiment Station, and State University in cooperation with USDA's Economic Research Service. The report on this study contains a series of tables that producers operating within the research assumptions can use to compare their alternatives under the 1967 Cotton Program, and figure the effects on their soybean acreage, too.

Producers who participate in the 1967 program are eligible, as in 1966, for price support payments, acreage diversion payments, and price support loans. Participants are required to reduce their effective farm allotments at least 12½ percent. (Except those with allotments of 10 acres or less, or with projected total production of 3,600 pounds of lint or less.) Reduction can be as much as 35 percent. Acreage taken out of production must be diverted to soil conserving uses.

Payments and loan rates in effect for 1967 are:

—Loan rate—20.25 cents (middling inch cotton),

—Price support payment—11.53 cents per pound of projected yield on 65 percent of the effective farm allotment,

—Diversion payment—10.78 cents per pound of projected yield on acreage diverted.

Skip-row planting rules remain unchanged from 1966. Planting 2 x 1 and 2 x 2 requires a penalty of 0.3 allotment acre for each acre planted. No loss is charged for 4-row patterns. They may still be used as diverted acreage.

In figuring the alternatives under this program, economists assumed that lint would sell for 22 cents per pound (with 1.6 pounds of seed produced per pound of lint). Yield increases assumed for skip-row planting over solid were 30 percent for 4 x 4, 35 percent for 2 x 1, and 50 percent for 2 x 2.

To show how the information in the report works, consider an owner-operator who expected a 650-pound yield from solid cotton and owns his own picker. At the 35-percent diversion level, his gross return is figured at \$186.47 per acre. Production costs run \$51.75 (fixed expenses for machinery aren't included in any of these calculations because they remain about the same regardless of allotment level). So his net is \$134.72. Soybean returns would be unchanged.

Now let's compare this figure with returns at the 12½-percent diversion level. In this case, returns are \$209.90 and costs \$68.64. The net is \$141.26, or \$6.54 per allotment acre more than at the 35-percent level of diversion.

Suppose the producer plants a combination of solid and 4 x 4 with enough 4 x 4 skips to equal the diverted solid

cotton. At the 35-percent level, net returns would be \$150.95 with no change in soybeans. At the 12½-percent level the net would be \$147.06.

Planting the entire allotment in 4 x 4 would result in returns of \$220.44 at the 35-percent level. Costs would be \$56.47, leaving \$163.97. However, soybean acreage is reduced so a loss of \$12 per acre of cotton allotment must also be subtracted, leaving \$151.97. (Soybean yield is assumed to be 20 bushels per acre at \$2.75 per bushel and the producer owns his combine.) At the 12½-percent level, the net would be \$149.62 (\$255.63 gross minus \$76.01 costs and \$30 soybean loss). Obviously, the 4 x 4 planting with 35 percent diversion is the most profitable alternative under the assumptions used.

Suppose the producer is a one-fifth renter who custom picks his cotton but owns his combine. His expected yields are 750 pounds of lint per acre of solid cotton and 27½ bushels of soybeans per acre. His net at the 35-percent level ranges from \$83.55 per acre planting 2 x 2 to \$106.59 per acre for solid and 4 x 4 combination. Returns for 12½-percent diversion run from \$75.54 to \$96.10. In this case, the solid and 4 x 4 combination with 35-percent diversion is the most profitable choice. Under these conditions, a producer with a 100-acre allotment would earn an additional \$550 by making "paper" plans before taking to the fields.

COST SURVEY SHOWS AVERAGE FOR UPLAND

Production costs forever nag cotton producers, and with good reason: They can easily swallow up profits. But cost figures vary widely and have been sketchy at best. In 1964, USDA undertook the first of a series of nationwide surveys of the costs of producing upland cotton so that such information will be available to anyone who needs it. Producers should be able to compare their own figures against national and regional averages.

The survey showed the total cost of producing upland cotton in 1964 to be 28.4 cents per pound of lint. This allows for a market return to all inputs—land, labor, and capital. The total direct cost of producing cotton (exclud-

ing payments to land and farm overhead) was 21.6 cents per pound of lint. These costs are for an average yield of 540 pounds per acre.

Cotton cost estimates varied considerably from region to region. The range was from 23.4 cents in the Mississippi Delta to 38.1 cents in the Upper Rio Grande-Trans Pecos Region of Texas and New Mexico.

ALLOTMENT RENTALS CAN BOOST RETURNS

Provisions for leasing and selling cotton allotments made their debut with the 1966 cotton program. Since their coming out is so recent, little information has been available on their effects on cash farm returns.

Clemson University and the South Carolina Agricultural Experiment Station, in cooperation with USDA's Economic Research Service recently conducted an analysis of such allotment transfers in the Palmetto State.

This study revealed that net returns from cotton in the State would be substantially higher if allotments were transferred from smaller to larger farms. This would be the case because the larger planters can grow cotton more profitably than smaller farmers. However, the latter group would get a cash rental for their allotments and could use the labor otherwise used for cotton for other enterprises or off-farm work.

To illustrate, a small producer in the Upper Coastal Plain with a 6.6-acre allotment could get \$396 by renting it for \$60 an acre. Loss of cotton receipts (at 31.2 cents a pound for lint) would cut his estimated gross returns to \$374. But he would work 53 fewer hours.

However, the same 6.6 acres added to a large producer's allotment would return an additional \$471 to land and operator (when lint is priced at 31.2 cents a pound). And he would need only 10 hours to produce a crop on it. As a result, the gain from this transfer would be \$97 (\$471—\$374). Multiplied throughout the major cotton-producing areas of the State, such transfers would add \$4.3 million to returns to land and operators.

COTTON: FROM FARMER TO CONSUMER

THE CHANGING CHANNELS OF MARKETING

Ever wonder where your cotton (or any other farm product) travels after it leaves your front gate and what sort of processes it goes through before it reaches the consumer? Chances are, you have. But even if you haven't thought much about marketing, it's not a waste of effort to do so. The things that happen to your products affect your share of what the consumer pays for them.

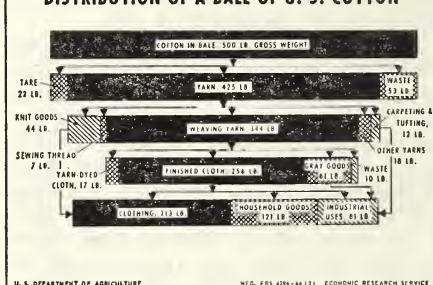
Like the farm sector, the marketing system has undergone rapid change recently. This has been particularly true for the cotton marketing system. Technology—new equipment, new processes, new ideas—is largely responsible.

To begin with, marketing cotton is an extremely complicated business. The U.S. crop is produced on a half-million farms located in all southern States from Virginia to California. From 10 to 15 million bales are produced annually.

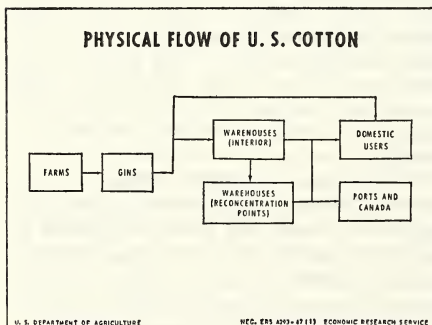
Most of the Nation's crop moves directly from gins to central storage.

A lot of the middlemen have dropped out of the cotton picture during the past decade. The need for shippers, brokers, local merchants, and commission buyers has declined because large quantities have gone right into Government loan or directly to mill buyers.

DISTRIBUTION OF A BALE OF U. S. COTTON



PHYSICAL FLOW OF U. S. COTTON



Over half the crop nowadays is grown in the Southwest and West; only 15 percent in the Southeast. But the latter region is the locale of most of the mills. So, much of the crop must travel considerable distances. Storage is a factor, too, since the mills operate year-round while harvest and ginning are in late summer and fall.

Gins are fewer and larger these days. The high cost for new high-capacity plants spurred this shift.

The practice of direct buying by textile mills is likely to be even more common in the future.

Technology has given the cotton manufacturers a spin on their own spindles since the midfifties. Both mill numbers and firm numbers have declined rapidly, particularly among those with fewer employees. New textile machinery is so much more productive that firms who don't modernize or build new mills find it difficult to compete with those who do update.

In contrast to the textile industry, the garment industry continues to be made up of many small firms with little capital, producing numerous types, sizes, and types of clothing, usually in small lots.

In the end, it's the consumer (and that includes all of us) that will continue to benefit from changes in cotton marketing. Although prices for clothing, as well as food, housing, transportation, and other items in our budgets have risen steadily, clothing costs haven't climbed as much.

AG OUTLOOK

Based on Information Available April 3, 1967

REDUCED COTTON STOCKS

U.S. carryover of all kinds of cotton is still expected to total around 12 million bales next August, about 5 million below the record high of nearly 17 million bales last August. Stocks are being sharply reduced this crop year because combined mill consumption and exports are well above the small 1966 crop. Prospects for exports totaling around 5 million bales have remained firm in recent months. Exports totaled 2.9 million bales during the 1965/66 crop year. Prospects for large mill consumption remain favorable with use expected to total around 9.6 million bales—largest since 1950/51. Preliminary ginnings indicate that the 1966 crop totaled 9.6 million bales, down sharply from the 1965 crop of 14.9 million. Production was down because of smaller harvested acreage and lower yields. Cotton acreage is expected to remain small for this year's crop. Planting intentions, as of March 1, have been indicated at 10 million acres. This is down from 10.4 million acres planted to the 1966 crop and may be the smallest acreage since the 1870's.

MORE SMOKES

U.S. cigarette consumption in 1967 seems likely to register a modest increase over 1966. An increase in the adult population and comparatively high consumer incomes will be the principal contributory factors. In 1966, U.S. smokers consumed over 541 billion cigarettes—2.4 percent more than in 1965 and above any previous year. Adult per capita cigarette consumption rose 0.7 percent over 1965 but was $1\frac{1}{4}$ percent under the 1963 peak. The 1966 output of filter tip cigarettes (68 percent of total output) rose $28\frac{1}{2}$ billion above 1965.

"THIS SEASON I INTEND TO PLANT . . ."



What steps led to USDA's Report of Farmers' Prospective Plantings, issued March 20?

This annual report, only one of the more than 700 issued each year by the Crop Reporting Board, is nevertheless one of the most important. Many farmers use its information in planning their own crops for the year.

First, statisticians carefully designed the questionnaires upon which the report was largely based. This was done to achieve uniform information on crops of broad general importance as well as those of local interest. Questionnaires also had to be set up so they could easily be processed and speedily expanded for projection to State and national totals.

Then the questionnaires were printed and distributed to all the SRS State offices. These, in turn, mailed a questionnaire to names on the State's list of farmers from among the volunteer reporters. Because planting intentions are reported as of March 1, crop reporters were asked to reply to the questionnaire promptly.

Let us follow along the trail of one of these questionnaires after it reached a typical crop reporter.

The farmer received his question-

naire one day in late February. He noted the request for quick action and set right to work.

He first read over the questions, then began checking his records. When he finally started to fill in replies to the questionnaire, he based his answers on a lot of things.

How much of this or that to plant this year? How much money he had to invest in seed and other inputs. Also, how much, if any, credit he would need. Other important considerations were agricultural programs and how the last few crop seasons had worked out. Then he checked a batch of the latest price and demand reports. He also considered recent weather reports and the condition of his land.

But most of all, he used his own good judgment from his experience with crop conditions and from the experience of his neighbors.

Finally, he completed filling in the blanks and mailed the questionnaire to the State statistician's office.

His State statistician received the completed form and the reports from thousands of farmers in the State. Each returned questionnaire is kept in strict confidence.

The statistician had the responses

sorted and summarized by modern equipment and came up with State totals of farmers' intentions to plant.

Most States have their own electronic data processing equipment or have access to such facilities. These systems help turn out fast summaries so that the statistician can analyze the data more accurately.

The statistician completed his report showing only the total figures for his State, about March 10. He posted it promptly to the Secretary of the Crop Reporting Board in Washington, D.C.

Here under guarded procedures the data were assembled into totals for review, State by State. More than 100 SRS specialists and statistical clerks worked with barely a halt—tallying, checking, rechecking, and tabulating the data.

Into their calculations these specialists figured such comparisons as data on prospective and actual plantings from earlier years, past and current weather conditions and weather forecasts. But, basically their facts for the season came from nearly 110,000 crop farmers who had reported their planting intentions to their State statisticians.

Finally, exactly at 3:00 p.m., on March 20, the Crop Reporting Board's report of planting intentions was issued to the news media.

In the SRS press room, just outside the security area where the report had been prepared, nationally hooked-up teletype machines tapped out the news. Meanwhile syndicated and other press representatives rushed to specially assigned, direct-line telephones and transmitted the data immediately to their news services and newspapers.

The same afternoon, more than 1,000 copies of the report were sent by SRS to other press outlets in all parts of the country. Later, thousands of additional reports were mailed to individual users, magazines, libraries, and others.

As this issue of *Agricultural Situation* goes to press, here are the highlights of the 1967 report of Farmers' Prospective Plantings:

Corn plantings are expected to total 71 million acres, up 7 percent both from 1966 and the 1961-65 average.

Cotton prospective acreage, at 10 million acres, is 4 percent below last year and 35 percent less than average.

Soybean prospective acreage planted, at 41 million acres, is expected to be a record high for the seventh consecutive year, 9 percent above 1966 and 33 percent above average.

Durum wheat plantings are expected to total 3.3 million acres, 31 percent more than last year and 47 percent above average.

Other spring wheat prospective acreage planted at 10.6 million, is 17 percent more than 1966 and 13 percent above average.

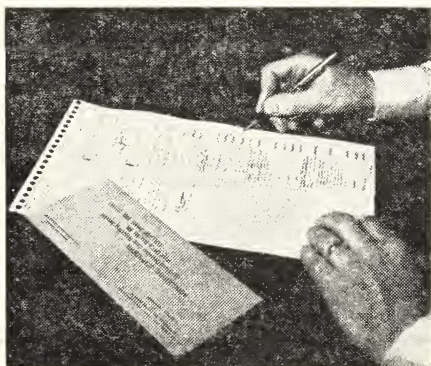
Oat prospective plantings, at 21 million acres, are 9 percent below 1966, continuing the general decline in acreage of this crop beginning in 1956.

Barley is expected to be planted on 10 million acres, 9 percent less than last year and 22 percent below average.

Hay acreage for harvest is expected to total 64 million acres, down 2 percent from 1966 and 5 percent below average.

Tobacco prospective acreage, at 985 thousand acres, is one percent more than 1966 plantings but 12 percent below average.

Rice plantings are expected to total 2 million acres, about the same as last year and 13 percent above average.



OILMEAL OUTLOOK: PLAN FOR GROWTH

In the United States, oilseed meals are used in many well-balanced animal feed rations. Oilseed meals are a high-protein, byproduct feed. Their chief use is to provide protein for growth and maintenance of body tissues. Due largely to the jump in livestock and poultry numbers and increased feeding rates, use of oilmeals has doubled since the end of World War II.

Soybean meal accounts for over four-fifths of the 5 major oilmeals produced in the U.S. and its share is growing rapidly. Cottonseed meal claims 10 to 15 percent. The rest is made up of linseed meal, copra meal, peanut meal, and in recent years, safflower seed meal.

Back in the late 1940's, in contrast, soybean meal accounted for only about 55 percent of total oilmeal output.

Total disappearance rose from 7.7 million tons in 1948-49 to a record 16.2 million last year. The 1966-67 total is expected to about equal last year. Over four-fifths is used in the United States, the rest exported.

Although exports still take only a minor share of the oilmeals produced in this country, they have risen tremendously since the late 1940's. And again, soybean meal is the leader, accounting for over 90 percent of total oilmeal shipments abroad. In 1948-49, it claimed 45 percent. During 1966-67 soybean meal exports may approximate the level of last year.

Western Europe is our biggest market for oilmeals, currently taking about three-fourths of U.S. exports. European demand has been boosted by rapid growth in livestock and poultry production and the high quality of U.S. soy-

bean meal. And the European market keeps expanding despite rising soybean and meal prices.

During 1948-50, oilmeal consumption by all classes of animals in the United States averaged 7.9 million tons. Sixty percent of this usage was soybean meal, 27 percent cottonseed meal, the balance other oilmeals. Almost two-thirds of the total was consumed by livestock, the rest by poultry. In 1965-66, oilmeal consumption reached a record 13.3 million tons. Seventy-seven percent was soybean meal, 19 percent cottonseed meal. About three-fifths was fed to livestock, the rest to poultry.

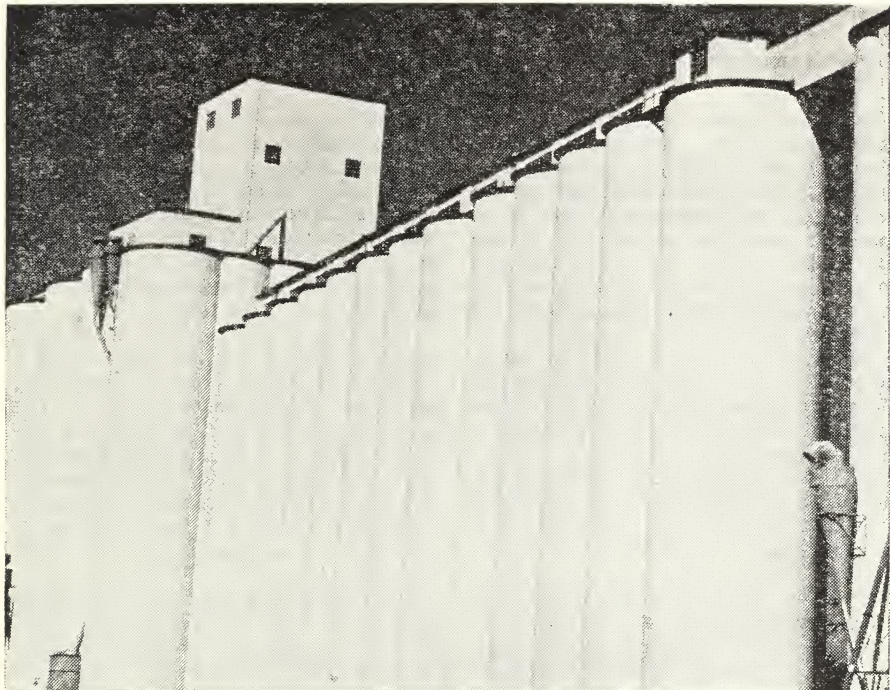
Between these periods a considerable increase took place in the amount of oilmeals fed to broilers and beef cattle. Since the late 1940's, the quantity fed to broilers quadrupled, that fed to beef cattle doubled. This has been the result of growing animal numbers and rising feeding rates.

The number of high-protein-consuming animal units (each equivalent to the feed consumed by one milk cow) rose 14 percent from 1948-49 to 1965-66. At the same time, feeding per unit rose from 106 pounds to 169 pounds. The gain was spurred by more scientific feeding methods and the growing supply of oilmeals.

Soybean meal use both at home and abroad is expected to expand apace with rising demand for meat and dairy products. If the present growth rate in the United States continues, the quantity needed for feeding in 1980 is likely to be double the 9 million tons used in the early 1960's. Exports also are expected to rise.

COMPARISON OF OILSEED MEALS' COMPOSITION

Oilseed meal (solvent process)	Total dry matter	Total protein	Digestible protein	Total digestible nutrients	Fiber	Calcium	Phos- phorus
	<i>Percent</i>						
Soybean meal.....	89.3	45.8	42.1	77.2	5.9	0.32	0.67
Cottonseed meal....	91.4	41.6	34.5	66.1	10.7	0.15	1.10
Linseed meal.....	90.9	35.1	30.7	71.0	9.3	0.40	0.83
Peanut meal.....	91.5	47.4	43.1	74.3	14.9	0.20	0.65



Shifting Grain Situation; Hungry Elevators

You can hardly blame the folks in the grain-elevator business for being a bit grumpy lately. There is just not as much grain around as there used to be.

After years of gearing up to keep their augers from choking on a swelling grain volume and filling elevators as fast as they could be built, they've recently had to settle for less than half of what their elevators can hold.

Total elevator capacity has grown about 500 million bushels since 1961. That's pretty trifling compared with the bulge of 2 billion that occurred between 1954 and 1961.

Capacity has just about held steady in the past few years. The latest volume estimate by SRS, about 5.5 billion bushels at the start of this year, is close to the level of the past 3 or 4 years, exceeding the 1966 figure by only about 32 million.

This slowdown in growth reflects a changed grain supply-demand situation in recent years. Ratios of storage

capacity to volume actually stored tell the story.

The projected volume for calendar year 1967 is expected to average about 42 percent of capacity. This is a significant slip from the peak ratio of 68.7 percent for calendar year 1961.

The ratio has been dropping sharply because in recent years more grain has been going out of bins than has been coming in. Grain exports have soared; feed grain is being more heavily used by cattle growers; and wheat production last year was the lowest in 13 years. Supplies are now much more in line with requirements than they have been in the past.

As long as grain usage keeps up with output, some bins will stay less than half full, and the probability of soon regaining the peak, 68.7 percent full, seems remote. Even a large crop would not raise the ratio much above its present low level, because the demand for crops will probably stay brisk.

TIPS FOR KEEPING YOUR HIRED WORKERS "DOWN ON THE FARM" PERMANENTLY

Getting a good hired worker on a farm is a problem. Keeping him there is an even more difficult matter.

The hired worker with some special skills and management ability is a much-sought-after commodity in today's labor market—for both farm and factory jobs. Too often, it's agriculture that loses out in the contest for skilled workers.

What can the farm operator do to meet and beat industry's challenge? Here are a few adjustments farmers might make to improve their competitive position:

The pay package. To compete effectively, farmers need to reappraise the pay package they offer their hired workers, both as to its size and composition.

The level of the wage payment is of great concern because it is generally lower than that in industry. In 1964, the cash farm wage rate averaged \$1.14 an hour, compared with \$2.61 an hour for manufacturing workers. Of course, many of the more efficient commercial farmers paid considerably higher wages to their skilled workers than the national average.

The unit of time on which the cash wage is based also varies. Supervisory workers are normally paid on a monthly or annual basis and, in most cases, this works satisfactorily. Hired laborers, however, may be paid by the hour, day, week, or month.

Pay by the hour, as in industry, has several advantages that compensate for the burden of timekeeping. The employee knows how much he has worked, including overtime, and the rate he is being paid. Requests for time off may also be handled with little friction. Also, the farm manager may become more cost-conscious and be encouraged to eliminate "busy" work in favor of more productive jobs.

An important part of the pay package is made up of noncash benefits—such as a house, utilities, meat, meals, a gasoline allowance, and other items available from the farm business. However, these noncash benefits don't really compete in popularity with the fringe benefits commonly provided by

industry—sick leave, paid vacations, hospitalization, life insurance, and retirement plans.

Dropping some of the traditional noncash farm benefits in favor of either some fringe benefits common to industry or a higher straight cash wage might prove more satisfactory to both farm operator and worker.

Providing many of the traditional noncash benefits is getting to be a problem for farm operators because of increased farm specialization. The cash grain producer may have no products to offer. The livestock producer may buy his meat and milk at the store because his consumption standards have changed and home facilities to process the products are no longer available.

Also, remodeling older houses on the farmstead is an expensive proposition. Building a new house is equally costly and may add little to the value of the farm.

Many a farmworker would prefer the greater flexibility of cash to a side of beef, sick leave to a gasoline allowance. Also, many farmworkers prefer to live off the farm where their personal life is separated from their work.

Incentive plans. Farmers might also consider various types of incentive plans designed to increase labor productivity, reward workers more closely with the success of the farm business.

Generally, incentive plans function best when they are restricted to a particular operation over which the employee has a great deal of control. For example, a swine herdsman might share in the profits from extra pigs weaned per litter or in improved feed efficiency. Payments should be large enough to encourage incentive, but not a major portion of the total pay. And the incentive plan should be simple, preferably explained in a written agreement.

Care must be taken, however, to avoid setting incentives that might encourage diligence in one part of the farm business at the expense of another. Also, the producer must guard against incentives based on volume output alone since this can be costly in times of low prices.

Profit sharing is another type of incentive plan by which an employee may receive part of his pay. The worker is encouraged to be cost-conscious and to take an interest in the entire farm business. However, with such a plan, the books must always be open and even then there is a chance of controversy over methods of accounting.

Some farmers offer a bonus paid at intervals, usually at the end of the year, to help retain workers. While the bonus does add to the farm worker's wage, it provides no incentive to worker performance.

Job status. The popular image of both the hired farmworker and the work he does is still poor. Farmers need to do everything they can to raise the dignity and status of hired workers through good personal relations, improved working conditions, opportunities for advancement, and job security.

Good relations between employer and employee are essential. A worker needs to feel that he is important and that he is contributing in a large way to the success of the farm business. Sharing in, or at least being aware of, the management program may lend some of the status of the farm to the job.

Good working conditions are appreciated by employees. Farmwork is no longer the drudgery and manual labor it used to be, but the attraction of work in industry is one of the major factors drawing workers from farms to factories.

Part of the effort to keep skilled employees should be devoted to making jobs easier, reducing manual labor and eliminating as far as possible jobs considered highly disagreeable. Safety, too, is evidence of a farmer's concern for his employees. Agriculture is a high-risk industry, but an individual operator can strive for a reputation of safety on his farm.

Farmers need stability in their labor supply now more than ever before. But agricultural workers, with growing community ties and higher fixed financial commitments, have equal need for job assurance. The added security of a written wage contract could help stabilize the farm labor force and be of mutual benefit to both parties.

Economic Research Service

INTEREST RATES ON MORTGAGES: WAS 1966 THE PEAK?

Farmers apparently are continuing to borrow generously for land. But like other borrowers they have had to pay higher interest rates within the past year.

In January-June 1966, there was a continued rise in mortgages made by 20 life insurance companies, the Federal Land Banks, and the Farmers Home Administration (direct loans to individuals), which are the major sources of farmland credit. Lending by the two largest groups—the life insurance companies and the Federal Land Banks—was responsible for the overall gain. Direct loans by the FHA declined in first half 1966. However, FHA-insured loans—not included in the direct loan figures—increased.

Volume of new money loaned by reporting life insurance companies and Federal Land Banks during January-June 1966 was \$1,223 million. This was up 18 percent from what it had been in the first half of 1965.

New money loaned by the life insurance companies rose 13 percent over a year earlier compared with a 24-percent gain for the Federal Land Banks. FHA direct loans totaled \$19 million, sharply under the \$92 million in first half 1965.

As of June 30, 1966, the outstanding loans held by the three major lenders totaled \$10.6 billion, up 13.4 percent from a year earlier.

Sluggishness in the number of new loans made is likely due to the rise in interest rates in early 1966. Rates on mortgage commitments by life insurance companies averaged 6.02 percent for January-June 1966 compared with 5.82 percent for last half of 1965 and 5.74 percent for first half of 1965. During the first 6 months of 1966, seven of the Federal Land Banks increased rates to 6.00 percent—six from 5.50 percent and one from 5.20 percent. One raised rates from 5.00 to 5.50 percent while the remaining four continued to charge 5.50 percent. However, by September 1966, all 12 Federal Land Banks were charging 6.00 percent.

MEET THE STATE STATISTICIAN . . .

BYRON BOOKHOUT

The Susquehanna River rises in Otsego Lake, Cooperstown, N.Y., and empties into the Chesapeake Bay. Byron Bookhout, Statistician in Charge for Maryland and Delaware, who was born on a dairy farm in Otsego County, says he's now at the other end of the river.

Byron became the newest addition at the Bookhout farmstead in 1914. He completed his first 6 years of education in a one-room school. In 1931 he graduated from Laurens High School, then spent three summers working at home and on neighboring farms.

In 1935, Byron entered Cornell. Four years later he received a degree in vocational agriculture. A graduate teaching assistantship enabled him to go on for a masters degree in agricultural economics, and to get his first taste of statistical reporting work as a survey enumerator.

Byron then went to Purdue with a research fellowship. Soon after, he decided to take the national agricultural statistician exam. As it turned out, the exam was given the day after Pearl Harbor. Byron was permitted to complete his research project and receive his Ph. D. in agricultural economics before entering the Army Air Force.

After 2 years of military service Byron returned to the Midwest, taking a job as extension specialist in farm management at Michigan State University. The same year, 1944, he married Lyn Hodges. She had grown up across the Susquehanna from his home, in Delaware County, N.Y.

In 1946, Byron joined the Michigan Agricultural Experiment Station staff, working on farm management studies. His career in agricultural estimates began in 1951 when he reported to the Lansing, Mich., field office.

After 6 months in the Michigan office, Byron was transferred to Indiana. Three and a half years later he was sent to Kentucky. A daughter, Anne,



arrived in the Bluegrass State in 1956.

Byron's next stop was Washington, D.C. In 1961 he was assigned to field crops work, specifically corn statistics and preparing the general crop progress and conditions material in the monthly Crop Production Report. In June 1966 he took charge of the Maryland-Delaware office.

Although these two States aren't large agricultural producers they do have a wide variety of products. As a result, the College Park office is kept busy handling two sets of work sheets for most livestock and crop estimates.

Dairying and broiler output vie for top honors as the most important source of farm income in Maryland, but the latter is an easy winner in Delaware. Tobacco is Maryland's leading cash crop with corn running second most years. However, total sales of vegetables and melons are nearly equal to either of the two major field crops.

In Delaware, corn and soybeans are the two most important sources of farm cash. Potatoes are in third place.

The farmer who doesn't use pesticides is a rarity these days. Chemical treatment of crops, other land, livestock and poultry, and rodents is widespread.

In 1965, the Economic Research Service surveyed use and cost of pesticides used on U.S. farms in 1964. Insecticides, herbicides, fungicides, miticides, nematocides, soil fumigants, and defoliants and desiccants were considered on farms with sales of agricultural products of \$2,500 or more in the South and \$5,000 or more in the North and West.

Here are some of the findings:

Use: Ninety-four percent of the farmers surveyed used some pesticides. The proportion using them didn't vary much from region to region and among different farm types.

Size of farm (measured by cash marketings) didn't matter much either. Ninety-three percent of the farmers selling \$5,000 to \$9,999 worth of products used pesticides; 95 percent with sales of \$10,000 to \$39,999; and 96 percent with sales of \$40,000 or more. However, the farmers with the highest sales (\$40,000 or more) accounted for 43 percent of the money spent on pesticides.

Eighty-five percent of the pesticides used in 1964 was for crops. Eleven percent went for poultry and livestock; the rest for other purposes.

Cost: Pesticides used on farms requested in the survey (not including those used for treating seeds, stored crops, or storage buildings) cost about \$456 million in 1964. This was equal to about 2 percent of their farm production expenses. Farmers who operated small farms not included in the survey spent an additional \$58 million for pesticides.

The average cost per farm surveyed was about \$300, ranging from \$882 in the Pacific Region to \$119 in the Northern Plains. While the Corn Belt had the largest share of total volume used (19 percent), and the greatest percentage of farmers using pesticides, the average spent per farm was only \$246 because use per farm was relatively low.

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